

***Facts At A Glance** is a monthly compilation of information of interest to Board Members, staff and the general public. Information is current as of August 31, 2006, unless otherwise noted. Every effort has been made to verify the accuracy of the information, which is intended for general use only. Please direct any questions and comments to the Public Affairs Office at (916) 795-3991.*

CalPERS EXECUTIVE COMPENSATION PLAN

CalPERS is pursuing major pay-for-performance initiatives, including:

- Engagement of the executive compensation consulting industry on the practice of employee stock option backdating, which is causing dozens of companies to come under investigation by the Securities and Exchange Commission;
- Direct engagement of dozens of companies to request responses to published media allegations of stock option backdating practices for top executives;
- A comprehensive proposal to the SEC that calls for greater transparency of compensation packages;
- Strengthening listing standards at the securities exchanges and self-regulatory organizations to promote greater communication and transparency between listed companies and investors;
- Urging the compensation consulting industry to adopt practices that better align boards and management with shareowners;
- Urging companies to submit executive compensation policies to shareowners for approval, including disclosure of pay-for-performance provisions and non-binding shareowner votes on compensation packages;
- Targeting a limited number of corporations in key market sectors with the worst compensation practices; and
- Withholding support from a focused list of corporate compensation committee members who support egregious pay packages.

CalPERS SEEKS DISCLOSURE ON ENVIRONMENTAL LIABILITIES

CalPERS Board approved a plan that calls for greater disclosure of corporate environmental liabilities, improve transparency and timely disclosure of environmental impacts. Under the plan, we have launched a number of initiatives aimed at improving environmental data transparency, including:

- Signing the Global Carbon Disclosure Project, an international effort to improve the transparency of business risks associated with climate change due to rising levels of greenhouse gases (GHG);
- Improving data transparency in the auto industry by supporting shareholder proposals at Ford and General Motors and possibly other auto manufacturers;
- Developing a Greenhouse Gas Reporting Project -- a joint effort by CalPERS, CalSTRS, and the Carbon Disclosure Project to engage electric power utilities in reporting emissions of carbon dioxide and greenhouse gases that may contribute to harmful global warming; and

- Identifying portfolio companies with shareowner resolutions requesting improved environmental risk disclosure, thereby supporting efforts to improve accurate, timely reporting of risks such as those associated with climate change.

CalPERS BACKS UN PRINCIPLES FOR RESPONSIBLE INVESTMENT

CalPERS Board signed the United Nation Principles for Responsible Investment, a menu of possible global actions on environmental, social, and corporate issues. The six guidelines, published in April 2006, were drafted by representatives of as many as 20 investment organizations from 12 countries, including CalPERS Board President Rob Feckner and Interim Chief Investment Officer Anne Stausboll. The principles echo several CalPERS objectives.

CalPERS TO SEEK MAJORITY VOTE FOR CORPORATE DIRECTORS

CalPERS is advocating majority vote election procedures for corporate directors. Currently, a plurality vote system is used in most corporate elections, in which directors can be elected by the vote of a single share unless they are opposed by a dissident candidate. Under the plan, CalPERS will:

- Seek to implement majority vote policies at individual companies through company bylaw and charter amendments;
- Pursue changes to state laws to implement majority vote where feasible;
- Seek to implement the majority vote concept at the Securities and Exchange Commission and major stock exchanges; and
- Follow CalPERS Corporate Governance Core Principles and Guidelines to advocate majority votes for corporate directors.

CalPERS FOCUS LIST:

The CalPERS Corporate Governance Program annually identifies long-term poor performing companies within the System's domestic equity portfolio. Companies are identified as among the relative poorest long-term performers in CalPERS domestic stock portfolio and serve as the focus of the System's corporate governance activism.

HISTORICAL FOCUS LISTS:

1998

A. Schulman
Advanced Micro Devices

Electronic Data Systems
Int. Flavors and Fragrances
Louisiana Pacific Corp.
Michaels Stores
Stewart & Stevenson
Sybase
TBC Corporation

1999

Cummins Engine
Pacific Century Financial Corp.
Pioneer Natural Resources
Sierra Health
St. Jude Medical
Mallinckrodt
National Semiconductor
Circus Circus
Tyson Foods

2000

Advanced Micro Devices
Bob Evans Farms

Crown Cork and Seal
A.G. Edwards
First Union Corporation
Intergraph Corporation
J.C. Penny
Lone Star Steak House
Phycor
Rite Aid

2001

Circuit City
Lance

2002

Lucent Technologies
NTL, Inc

2003

Gemstar
JDS Uniphase Corp.

Metromedia
Ralcorp
Warnaco

Qwest Communications
Cincinnati Financial Corp.
Gateway Computers

Manugistics Group, Inc.
Midway Games, Inc.
Parametric Technology
Xerox Corporation

2004

The Walt Disney Company
Emerson Electric Company
Maytag Corporation
Royal Dutch Shell

2005

American International Group
AT&T
Delphi
Novell
Weyerhaeuser

2006

Brocade Communications
Cardinal Health
Clear Channel Communications
Mellon Financial
OfficeMax
Sovereign Bancorp

THE “CalPERS EFFECT”:

- Finance Professor Brad Barber of the University of California, Davis, published an academic study, *“Monitoring the Monitor: Evaluating CalPERS’ Shareholder Activism,”* in April 2006. He analyzed the gains of CalPERS corporate governance actions linked to the 115 companies named to the pension fund’s Focus List from 1992 to 2005. Barber found short-term benefits of at least \$3.1 billion for investors over a 14-year period.
- A Wilshire Associates study examined the performance of 113 companies targeted by CalPERS between 1987 to 2003. Results indicated that while the stock of these companies trailed the Standard & Poor’s 500 Index by 97.7 percent in the 5-year period before CalPERS acted, the same stocks outperformed the index by 8.1 percent in the following five years.
- A study performed by CalPERS CIO Mark Anson, Ted White, Portfolio Manager, and Ho Ho, Quantitative Equity Portfolio Manager found that CalPERS Focus List has added shareowner wealth to targeted corporations between 1992 and 2004. The study found the effects of the List on shareholders wealth was (at 95% confidence) that inclusion in the List is associated with an additional return to shareowners of about 12% on average over the three months after release of the List. The period 182 days after publication is associated with additional cumulative excess return of 19.17%.

The chart below shows the cumulative excess return for each list from 2002-2004 following the release of the list.

T= Release of Focus List	2002 Focus List	2003 Focus List	2004 Focus List
T to T +90 days	25.08%	15.41%	8.09%
T to T +182 days	63.86%	43.26%	12.65%
T to T +365 days	101.77%	133.80%	N/A

CalPERS SHAREOWNER FORUM: – www.calpers-governance.org

CalPERS has an Internet Web site devoted exclusively to corporate governance. On *CalPERS Shareowner Forum*, you can find news on such things as:

- CalPERS corporate governance activities and proxy voting decisions in advance of a company's annual meeting;
- Information on CalPERS shareholder litigation activities;
- Criteria for selecting its list of corporate governance focus companies; and
- Full text of CalPERS corporate governance principles and guidelines.